



ROBINSON MCFADDEN
ATTORNEYS AND COUNSELORS AT LAW

ROBINSON, MCFADDEN & MOORE, P.C.
COLUMBIA, SOUTH CAROLINA

July 2, 2008

VIA ELECTRONIC FILING

Mr. Charles Terreni
Chief Clerk of the Commission
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
101 Executive Center Drive
Columbia, SC 29210

Bonnie D. Shealy
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POST OFFICE BOX 944
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bshealy@robinsonlaw.com

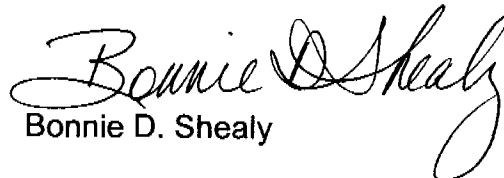
**Re: Duke Energy Carolinas, LLC's Application for Approval of the
Transfer and Sale of Property in Chapel Hill, NC**

Dear Mr. Terreni:

Enclosed for filing please find the Application of Duke Energy Carolinas, LLC for approval of the transfer and sale of property located in Chapel Hill, North Carolina. By copy of this letter we are serving the same on the Office of Regulatory Staff. Should you have any questions, please contact me.

Very truly yours,

ROBINSON, MCFADDEN & MOORE, P.C.


Bonnie D. Shealy

/bds
Enclosures

cc/enc: Catherine E. Heigel, Assistant General Counsel (via email)
Dan F. Arnett, Chief of Staff of ORS

STATE OF SOUTH CAROLINA

IN RE:

Application of Duke Energy Carolinas, LLC for
Approval of the Transfer and Sale of Property in
Chapel Hill, North Carolina

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER:

(Please type or print)

Submitted by: Bonnie D. ShealySC Bar Number: 11125

Address: Robinson, McFadden & Moore, P.C.
PO Box 944
Columbia, SC 29202

Telephone: (803) 779-8900Fax: (803) 252-0724

Other:

Email: bshealy@robinsonlaw.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigatio
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input checked="" type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

IN RE:

Application of Duke Energy Carolinas, LLC
for Approval of the Transfer and Sale of
Property in Chapel Hill, North Carolina

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APPLICATION

Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Applicant”), hereby applies to the Public Service Commission of South Carolina (the “Commission”) for approval of the transfer and sale of certain real estate, known as the Chapel Hill Operation Center located in Chapel Hill, Orange County, North Carolina (the “Property,” as more fully described in Exhibit “1”). The Property is located in Duke Energy Carolinas’ service area in North Carolina. This Application is made pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 2007), 26 S.C. Regs. 103-830, and other applicable rules and regulations of the Commission. In support of this Application, Duke Energy Carolinas shows the Commission the following:

1. The name and address of the Applicant is

Duke Energy Carolinas, LLC
526 South Church Street
Charlotte, North Carolina 28202

2. The name and address of the Applicant's attorneys are:

Catherine E. Heigel, Assistant General Counsel
Duke Energy Corporation
Post Office Box 1006 (EC03T)
Charlotte, North Carolina 28201-1006
(704) 382-8123
ceheigel@duke-energy.com

and

Frank R. Ellerbe, III
Bonnie D. Shealy
Robinson, McFadden, and Moore, PC
1901 Main Street, Suite 1200
Post Office Box 944
Columbia, South Carolina 29202
(803) 779-8900
fellerbe@robinsonlaw.com
bshealy@robinsonlaw.com

3. Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

4. The Company is a public utility engaged in the generation, transmission, distribution, and sale of electric energy in the central portion of North Carolina and the western of South Carolina and is subject to the jurisdiction of this Commission.

5. The Property consists of certain real estate that is not required for the Company's current utility operations. The legal description and preliminary plat of the Property are attached as Exhibit 1.

6. The Property is being sold to the State of North Carolina ("the State"). This transaction will not affect the Company's ability to provide reliable service to its customers at just and reasonable rates.

7. The Property is located at 120 Homestead Road, Chapel Hill, North Carolina

27517. This site housed operations that have been relocated to newer facilities, consolidated into other company facilities, or moved to more appropriate space, rendering the Property as surplus, except for staging operations during storm events. The University of North Carolina – Chapel Hill and State of North Carolina were approached directly and given the first opportunity to buy the Property. This sale is conditioned upon the State granting Duke Energy Carolinas perpetual rights to use certain other property owned by the State located on the west side of the Friday Center which is adjacent to Highway 54 at the University of North Carolina in Chapel Hill for power restoration efforts.

8. The Company and the State entered into an Option Agreement for the purchase and sale of the Property at a sales price of \$4,050,000.00 on March 25, 2008. John T. Kepley, a State Certified General Real Estate Appraiser in North Carolina, appraised the Property. Attached as Exhibit 2 is a copy of his appraisal letter, dated March 8, 2007¹ and a portion of the appraisal. The depreciated book value of the Property is \$1,095,839.00. The appraised property includes a parcel of 13.317 acres, improved with an office building totaling 21,012 square feet of building area. There are 18,708 square feet of heated office area and 2,304 square feet of warehouse area. The building was built in 1982 and is in average condition. The appraisal includes a value range for the building of \$1,575,000 to \$2,100,000. The sales price of \$4,050,000.00 reflects the restrictions imposed on the Property as a result of the State's agreement to grant Duke Energy Carolinas a perpetual right of entry on the State's property located on the west side of the Friday Center for emergency staging purposes and a right of way for the area of the existing poles and power lines that traverse the edge of the property to be purchased.

¹ Although the Appraisal was not completed within the past year, the Company believes that a new appraisal was not necessary because the Property has been continuously under contract with the stated buyer since the date stated above and no significant changes in the market have occurred that would increase the value of the Property.

9. The original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, "Electric Plant in Service." The difference between the sales price and the original cost of the non-depreciable Property will be applied to Account 421.10, "Gain on Disposition of Property" or Account 421.20, "Loss on Disposition of Property."

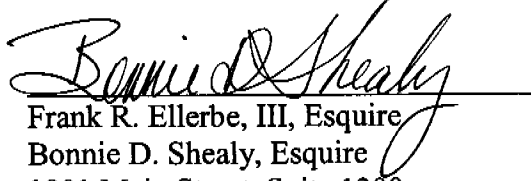
10. The South Carolina Office of Regulatory Staff has been served with a copy of this application and exhibits. S.C. Code Ann. Section 58-27-1300 provides that an electric utility must first obtain Commission approval prior to selling or otherwise transferring utility property with a fair market value greater than \$1 million. Therefore, Duke Energy Carolinas applies to the Commission for permission to sell the Property.

11. Applicant requests that this Commission inquire into this matter and if no substantial opposition develops, that this Commission: (i) hear and approve this matter at the next appropriate weekly agenda session; (ii) issue an appropriate order approving the relief sought in the Company's Application; and (iii) grant such other and further relief as this Commission may deem just and proper.

WHEREFORE, Applicant prays that, pursuant to S.C. Code Section 58-27-1300, (Supp. 2007) and other applicable rules and regulations, the Commission enter an order approving the transfer and sale of the Property.

This the 2ND day of July, 2008.

Robinson, McFadden, and Moore, PC

A handwritten signature in cursive script, reading "Bonnie D. Shealy", written over a horizontal line.

Frank R. Ellerbe, III, Esquire
Bonnie D. Shealy, Esquire
1901 Main Street, Suite 1200
Post Office Box 944
Columbia, South Carolina 29202
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fellerbe@robinsonlaw.com
bshealy@robinsonlaw.com

Catherine E. Heigel, Assistant General Counsel
Duke Energy Corporation
Post Office Box 1006 (EC03T)
Charlotte, North Carolina 28201-1006
(704) 382-8123

ATTORNEYS FOR DUKE ENERGY CAROLINAS, LLC

EXHIBIT 1

LEGAL DESCRIPTION AND PRELIMINARY PLAT CHAPEL HILL OPERATION CENTER

Being all of **Lot 2** located in the Township of Chapel Hill, Orange County, North Carolina and being more particularly described as follows:

BEGINNING at a calculated point within the northern right of way of Homestead Road, where it intersects in the center line of Homestead Park Drive (50' Easement per Deed Book 1436, page 399), running thence from said POINT following the center line of Homestead Park Drive the following nine (9) courses: (1) N 28-42-54 E 69.75 feet to a calculated point, (2) N 04-38-51 W 26.90 feet to a calculated point, (3) N 30-20-55 W 37.25 feet to a calculated point, (4) N 16-09-30 W 46.35 feet to a calculated point, (5) N 03-50-49 E 193.34 feet to a calculated point, (6) N 05-54-29 W 48.88 feet to a calculated point, (7) N 16-30-49 W 10.33 feet to a calculated point, (8) N 19-34-31 W 48.90 feet to a calculated point, and (9) N 31-40-11 W 55.88 feet to a calculated point; thence leaving the center line of Homestead Park Drive S 87-59-44 E 538.19 feet to calculated point; thence S 02-00-16 W 80.00 feet to a calculated point located within a 50' reserved retail right of way; thence S 87-59-46 E 391.02 feet to a found ½" iron pipe; thence N 13-04-33 E 11.77 feet to a found ½" iron pipe; thence N 10-45-49 E 69.25 feet to a found ½" iron pipe; thence S 87-59-44 E 55.52 feet to a calculated point located within the right of way of Martin Luther King Jr. Boulevard, also known as NC Highway 86; thence S 14-51-16 W 311.90 feet to a calculated point located within the right of way of Martin Luther King Jr. Boulevard; thence following a curve to the left within said road right of way with a radius of 3308.41 feet, curve length of 606.34 feet (Chord bearing S 09-36-15 W, 605.50 feet) to a calculated point located within the rights of way near the intersection of Martin Luther King, Jr. Boulevard (NC Highway 86) and Homestead Road; thence within the right of way of Homestead Road N 61-19-49 W 883.12 feet to the point and place of BEGINNING. Said parcel contains 13.317 Acres, more or less as shown on a plat prepared by McKim & Creed on April 17, 2007, reference Map 004828-204294

SCALE: 1" = 100'	SCALE IN FEET	R.S.P. = 110,000+
LAND UNIT: 0042818		MAP: C04828-204294

EXHIBIT 2

JOHN T. KEPLEY APPRAISAL LETTER AND PORTION OF APPRAISAL

Pickett-Sprouse

REAL ESTATE

E. JUDSON PICKETT, MAI (CONSULTANT) • ROBERT M. SPROUSE, MAI • JOHN T. KEPLY • W. VERNON AVERETT, CCIM
JERRY L. GAMBILL, MAI • MARK E. MICOL • MARK N. O'NEAL, CCIM • BRIAN D. HILL • GREGORY T. PAYNE • AMY C. SEARS

March 8, 2007

Mr. Jack H. Miller, Jr.
Corporate Real Estate Services
400 South Tryon Street
PO Box 1007, Mail Code St-30C
Charlotte, NC 28201

Dear Mr. Miller:

At your request we have made an appraisal of a 17.37 acre parcel at the northwest intersection of Martin Luther King Boulevard and Homestead Road in Chapel Hill, North Carolina owned by Duke Energy Corporation. The parcel is improved with the Chapel Hill Operations Center for Duke Energy. The purpose of this appraisal is to provide to you our opinion of the market value of the property as of, December 27, 2006, the date of inspection. It is our understanding that the appraisal will be used to establish a price at which to market the property for sale. The client and intended users of this report are you and those persons and agencies you deem necessary.

This is a Summary Appraisal Report of a complete appraisal of the subject property. As such it presents summary discussions of the data, reasoning, and analyses that were used to develop our value opinions. Other supporting documentation is retained in our files.

As a result of our analysis, we have formed an opinion that the market value of the fee simple interest in the subject property, subject to the definitions, certifications, and assumptions and limiting conditions set forth in the attached report, as of, December 27, 2006, was:

Four Million Five Hundred Thousand Dollars \$4,500,000.

This letter must remain attached to the report, plus related exhibits, in order for the value opinions set forth to be considered valid.

PICKETT-SPROUSE REAL ESTATE

APPRAISALS • BROKERAGE • CONSULTATION • DEVELOPMENT

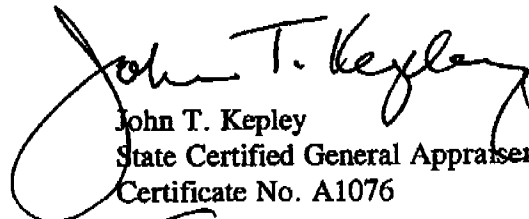
Mr. Jack H. Miller, Jr.

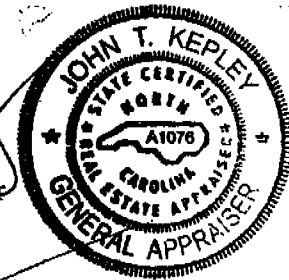
Page Two

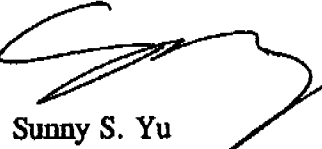
March 8, 2007

We hereby certify that we have inspected the subject property. We further certify that we have no interest, either present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the opinion of value as reported herein.

Respectfully submitted,


John T. Kepley
State Certified General Appraiser
Certificate No. A1076




Sunny S. Yu
State Registered Trainee
Trainee No. T3775

Effective Date of Value: The date of inspection, December 27, 2006.

Appraisal Development and Reporting Process: In preparing this appraisal, the appraisers

- inspected the subject property
- gathered information on the subject property from the Orange County Register of Deeds, Chapel Hill Planning Department and the Orange County Tax Office.
- gathered land sales data and improved sales data
- confirmed and analyzed the data necessary to form an opinion of value the subject property as of the date of inspection.

This Summary Appraisal Report is a brief recapitulation of the appraisers' data, analyses, and conclusions. Other supporting documentation is retained in the appraisers' file.

The Land: The subject is a 17.37 acre parcel located at the northwest intersection of Martin Luther King Boulevard and Homestead Road in Chapel Hill, North Carolina. It is trapezoidal in shape with approximately 600 feet of road frontage on Martin Luther King, Jr. Boulevard and approximately 1,255 feet of frontage on Homestead Road. Martin Luther King Jr. Boulevard and Homestead Road are multi lane and asphalt paved with curb and gutter. All public utilities are available to the site. The topography is gently sloping in a west to east direction. Most of the site is cleared. The site is bisected by a road used for ingress and egress to property owned by the Town of Chapel Hill. This easement leaves about 4 acres on the west side of the easement. This portion is the location of an electrical substation. The balance of the site, including the easement, is improved with the operations center and associated site improvements. This portion of the site contains about 13.37 acres (including easement) and is in our opinion the only marketable portion of the site. The substation portion has value, at this time, to Duke Energy only.

Improvements: The eastern portion of the property is improved with an office building totaling 21,012 square feet of building area. There is 18,708 square feet of heated office area and 2,304 square feet of warehouse area. The building is brick construction with large open areas for office cubicles, numerous offices and conferences rooms, 2 sets of men's bathrooms and 2 sets of women's

bathrooms with multiple toilets and sinks. Interior finishes include carpeted and tile floors, drywall walls, and painted concrete block walls. There is a back up generator and rooftop heat pumps servicing the building. The warehouse has concrete floors, overhead doors, and an exposed ceiling. The subject improvements were built in 1982 and are in average condition. The building is institutional in nature and the finishes and layout are indicative of Duke Energy's desired utilization. Future users would likely require significant changes to the layout. The facility was previously used as a branch operating center for Duke Energy.

Legal Information: The subject property was acquired by Duke Power Company from Lillie C. Freeland on September 15, 1981 with a deed recorded in the Orange County Register of Deeds at Book 373 Page 231. There are revenue stamps on the deed of \$218.00 indicating a purchase price of \$218,000. The deed of easement to the Town of Chapel Hill is recorded in Deed Book 1979 at Page 237.

Tax Information: The subject is identified in the Orange County Tax Office as Parcel Identification Number 9880212262. There is no assessed value for tax purposes.

Zoning: The site is zoned (OI-2) Office/Institutional 2 District. The purpose of this district is to provide for medium intensity office and institutional development. There is minimum lot size of 5,500 square feet, maximum density of 15 units per acre and a maximum building height of 34 feet. The maximum floor area ratio is .264. Permitted uses as principal or accessory uses include banks, businesses, clinics, clubs, multi family dwelling units, university buildings, fine arts, group care, hotels, churches, public service facilities, schools, service stations and convenience stores.

Highest and Best Use: An estimate of highest and best use involves a determination of that specific use from among the proposed ones that have been found to be legally permissible, physically possible, appropriately supported, and financially feasible that is expected to generate the highest rate of net return. Highest and best use is generally estimated by answering a series of questions in progression as follows:

- 1: What uses are legal and likely to be permitted by zoning and deed restrictions?
- 2: Of the legally permissible uses, which one are physically possible?
- 3: Of the physically possible uses, which ones are estimated to be economically and financially feasible under current and projected market conditions?
- 4: Of the remaining alternative uses that are legally permissible, physically possible, and economically feasible, which one is the most profitable?

The subject property must adhere to the legal requirements of its zoning district. These are the only legal restraints on the property. As we have previously discussed, the portion of the property improved with an electrical substation has value only to a utility and does not have value in a normal real estate market. This reduces the marketable site to about 13.73 acres and includes the operation center building. This building does not fully utilize the site. According to the zoning regulations, the site could legally accommodate about 150,000 square feet of building area. However, the existing building does occupy the center of the site which would make it much more difficult to fully utilize the site. Also, keeping a one story, 25 year old facility on the site will limit the type and amount of a new building space. Any amount of new space built while retaining the existing building will require a detailed land plan which is obviously not available at the time of this writing.

The value of the existing building is also somewhat limited due to its age and layout. An analysis of office building sales in the Chapel Hill area shows that the improvement sales price per square foot building area range is \$105.00 to \$150.00 per square foot. All of the building sales are newer and more up-to-date than the subject. By comparison, the subject building's value should be lower than this range. A value range of \$75.00 to \$100.00 would be appropriate for the subject building. This indicates a value range of \$1,575,000 to \$2,100,000. To this value, the value of the additional land would have to be added. At this point, that amount cannot be determined until a land plan is drawn to show the possible additional building area.

Due to the age and design of the existing building and its subsequent questionable value and the non-determined amount of possible additional building area, it is our opinion that the highest and best use of the property is for a complete redevelopment of the site. This will allow the full utilization of the site without the restrictions the existing building currently places on the site. The site is extremely

well located at an entrance to Chapel Hill on a major transportation corridor. By redeveloping the site, it is our opinion that the value of the property is maximized. The highest and best use is, therefore, for development of the 13.73 acre portion of the property into a new office park.

Estimate of Value: We have utilized the sales comparison approach to value. The sales used for comparison purposes are shown below along with adjustments for variances from the subject and resultant value indications.

SALE NUMBER	1	2	3	4
LOCATION	970 MLK BLVD	UNIV STATION RD	N/S WEAVER DAIRY	1000 WEAVER DAIRY
DATE	12/16/2003	9/15/2006	8/11/2006	11/18/2004
GRANTOR	PEACE	CAI GROUP VII	FREEMAN/CHEEK	VARIOUS
GRANTEE	SAWMILL	SPIKE II LLC	CAI GROUP VII	SPIKE II LLC
DEED BOOK/PAGE	3293/195	4124/493	4102/52-61	3613/186-190
ZONING	OI-2	MU/OI-1	MU/OI-1	MU/OI-1
SALES PRICE	\$1,100,000	\$810,000	\$2,000,000	\$1,864,500
AREA (ACRES)	4.846	2.1	6.94	7.771
PRICE PER ACRE	\$226,991	\$385,714	\$288,184	\$239,931
TIME ADJUSTMENT	15.00%	0.00%	0.00%	10.00%
TIME ADJ PRICE PER ACRE	\$261,040	\$385,714	\$288,184	\$263,924
<u>ADJUSTMENTS</u>				
LOCATION	20%	15%	15%	15%
TOPOGRAPHY	20%	0%	0%	0%
SIZE	-10%	-25%	-10%	-10%
TOTAL ADJUSTMENTS	30%	-10%	5%	5%
ADJUSTED PRICE PER ACRE	\$339,352	\$347,143	\$302,594	\$277,120

The unit of comparison used is price per acre since the zoning of each parcel allows similar amounts of building area per acre. The sales are all from the north side of Chapel Hill and represent the most recent office land sales in that area.

Time adjustments to the sales were made based on an annual appreciation of 5%. The subject's location on a corner at a major transportation corridor is considered superior to the sales and

adjustments were made accordingly. The subject is also considered superior to Sale No. 1 for topography. An upward adjustment was made for that difference.

The sales indicate a per acre value range of \$277,120 to \$347,143 with a median of \$320,973 and an average of \$316,552. The dwindling supply of land in Chapel Hill for office development and the strength of the subject's location lead us to the opinion that the per acre value should be in the upper half of the range. We have adopted a per acre value of \$330,000 which results in a value of \$4,530,900 (13.73 acres \times \$ 330,000), rounded to \$4,530,000.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO.

In Re:

**Application of Duke Energy
Carolinas, LLC for Approval of
the Transfer and Sale of Property
in Chapel Hill, North Carolina**

CERTIFICATE OF SERVICE

This is to certify that I, Leslie L. Allen, a legal assistant with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Application of Duke Energy Carolinas, LLC for Approval of the Transfer and Sale of Property Located in Chapel Hill, North Carolina** in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

Dan F. Arnett, Chief of Staff of ORS
P.O. Box 11263
Columbia, SC 20211

Dated at Columbia, South Carolina this 2nd day of July, 2008.



Leslie L. Allen